URUGUAY

Uruguay’s economic freedom score is 70.0, making its economy the 34th freest in the 2022 Index. Uruguay is ranked 5th among 32 countries in the Americas region, and its overall score is above the regional and world averages.

During the past half-decade, the Uruguayan economy grew slowly from 2017 through 2019 before contracting in 2020. Growth recovered in 2021. Economic freedom has stagnated over the same five years. With gains in the rule of law outpacing declines in trade freedom and investment freedom, Uruguay has recorded a narrow 0.3-point overall gain of economic freedom since 2017 and has made it over the threshold into the “Mostly Free” category for the first time since 2011. Fiscal health and business freedom are relatively solid, but financial freedom is lacking.

IMPACT OF COVID-19: As of December 1, 2021, 6,132 deaths had been attributed to the pandemic in Uruguay, and the government’s response to the crisis ranked 138th among the countries included in this Index in terms of its stringency. The economy contracted by 5.7 percent in 2020.

BACKGROUND: Uruguay, Bolivia, and Paraguay were established in the 19th century as buffers between regional powers Brazil and Argentina. Civilian rule was restored in 1985. President Luis Lacalle Pou of the center-right National Party began his five-year term in 2020, ushering in a conservative government after 15 years of rule by the leftist Broad Front. He has pulled Uruguay out of the leftist UNASUR regional group and has pressed for pro-market reforms in the MERCOSUR trade bloc. He seeks a free-trade agreement with the United States but is also negotiating a trade agreement with China. The economy, based on exports of such commodities as milk, beef, rice, and wool, has been stimulated by recent construction and infrastructure projects.
### Rule of Law

- **Property Rights**: 84.0
- **Judicial Effectiveness**: 80.4
- **Government Integrity**: 75.2

Contracts and secured interests in property are recognized and enforced by law. Most land has a clear property title. The judiciary is transparent and independent, but the courts function slowly and can be subject to intimidation. Transparency International ranked Uruguay the least corrupt Latin American country in its 2020 Corruption Perceptions Index. Anticorruption statutes are enforced to prevent bribery and other corrupt practices.

### Government Size

- **Tax Burden**: 72.4
- **Government Spending**: 70.2
- **Fiscal Health**: 75.2

The top individual income tax rate is 36 percent, and the top corporate tax rate is 25 percent. Other taxes include value-added and capital gains taxes. The overall tax burden equals 29.0 percent of total domestic income. Government spending has amounted to 31.5 percent of total output (GDP) over the past three years, and budget deficits have averaged 3.2 percent of GDP. Public debt is equivalent to 66.3 percent of GDP.

### Regulatory Efficiency

- **Business Freedom**: 75.7
- **Labor Freedom**: 60.3
- **Monetary Freedom**: 70.9

Regulations in Uruguay are among the most transparent in South America. Political and macroeconomic stability, geographical location, and government incentives to invest are advantages for business development and operation. Labor costs are high, however, and aggressive union and labor conflicts do arise. The government regulates fuel prices and subsidizes cooking gas.

### Open Markets

- **Trade Freedom**: 70.4
- **Investment Freedom**: 75.0
- **Financial Freedom**: 30.0

Uruguay has eight preferential trade agreements in force. The trade-weighted average tariff rate is 9.8 percent, and 54 non-tariff measures are in effect. Foreign investors and domestic investors are treated equally under the law, and there are no ownership limits in most sectors. The financial sector is open, but the state remains involved through ownership and credit allocation. Capital markets are underdeveloped.